

People's Pension – Quarterly investment report

April to June 2025



Introduction

At People's Pension, we're committed to improving the financial lives of our members through the responsible growth and the performance of our investment funds. This document provides an overview of last quarter's fund performance and how we manage our members' money.

This document is purely for information purposes only and shouldn't be taken as advice. All our funds carry some degree of risk and their value can go down as well as up. Past performance is not a reliable indicator of future results.

April to June 2025

Investment Commentary

Q2 2025 – Markets recover from April's US tariff shock

Since the 'Independence Day' tariffs announced on 2 April, global share markets have largely recovered from the short sharp shock, but US trade policy remains a concern.

The UK and Eurozone equity markets continued to outperform the US in both Sterling and Euro terms over the past quarter and, more significantly, over the last 12 months. This stronger showing in the last quarter was driven by gains in the defence, real estate, and industrials sectors. In addition, the US Dollar's depreciation against both the Euro and Sterling this year is a key factor in this trend.

Over the longer term, global equity markets have performed robustly, returning 13.2% annualised over 3 years and 11.8% annualised over 5 years to 30 June 2025.¹

US – Back to a new normal?

After the Trump administration's significant amendments to US trade policy led to market volatility and an underwhelming first quarter, US stocks recovered through Q2 as trade policy reverted towards long-term norms – although some concerns remain as we approach the 1 August deadline for new trade deals.

Employment data remained resilient, and although GDP fell by 0.5% in Q1, this was largely a statistical quirk caused by companies increasing imports ahead of the changes in tariffs on 2 April.

UK – Making hay in the sunshine

It's been one of the driest, sunniest springs on record, and UK markets continued their strong run in the sun. The relative performance of the UK market against the US was boosted by Sterling appreciating against the Dollar. Utilities, real estate, telecommunications, and industrials led the way this quarter, with the FTSE Mid-250 outperforming the FTSE 100.

Although the Bank of England cut rates to 4.25% in May, inflation remained some distance above target at 3.4%. Unemployment also edged up, rising to 4.7% over the quarter.²

¹ Please note that all returns are quoted in Sterling, not local currency.

² Source: Office for National Statistics (<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment>)

April to June 2025

Investment Commentary (Continued)

Eurozone – Guns or butter?

Q2 saw another strong quarter for Eurozone stocks, extending the positive momentum established in Q1. Returns relative to the US market were also boosted by the Euro's strengthening against the Dollar. The European stock market was the strongest-performing region in the first half of 2025. Industrials and defence once again led the markets upwards, while energy and healthcare lagged behind.

The European Central Bank (ECB) cut interest rates by two quarter points in June and indicated that the interest rate cutting part of the cycle is almost at an end. While inflation fell below the ECB's target, hitting 1.9% in May.

Japan – Corporates blossoming in late spring

In Q2, Japanese equities bounced back from the losses incurred over the first quarter of 2025. While there was a negative reaction to the 'Independence Day' tariffs at the beginning of April, markets took confidence from Japanese trade negotiations with China and other key regional partners.

The market also benefitted from corporate share buybacks and dividend increases, a result of ongoing corporate governance reforms aimed at boosting equity values.

Inflation dipped slightly to 3.5% as the Bank of Japan kept interest rates at 0.5%.

Emerging markets – Korea and Taiwan come good

Like most global markets, emerging markets took a hit in early April due to Trump's 'Independence Day' tariffs. However, they rebounded strongly in May and June as trade fears eased over the quarter.

South Korea had a particularly strong quarter as political instability subsided following the election of President Lee Jae-Myung. While Taiwan benefitted from renewed optimism over advancements in artificial intelligence (AI).

April to June 2025

Investment Commentary (Continued)

India and Saudi Arabia underperformed, with concerns about stretched valuations in India and geopolitical concerns in the Middle East impacting the Saudi Arabian market.

Overall, the MSCI Emerging Markets Index was up 5.7% in Sterling terms and 12.0% in US Dollars over the quarter.

Global fixed Interest – I'll get my money back, right?

Continued concerns over debt sustainability (how much governments can borrow) have made government bonds more volatile than usual this year. Investors are asking for a higher yield to lend to governments – which reduces the price of existing bonds. Longer-term corporate bonds have also been affected by this trend. While shorter-term corporate bonds have proven to be a steadier investment, generating solid returns. Yields remain attractive in high-grade fixed income at 5-6% per annum, which should translate into strong returns over time, especially if inflation stays low.

Outlook

Although Q2 2025 was positive for markets, a number of issues remain that might impact returns in the second half of 2025. US trade policy is still uncertain, and the final position for tariffs remains unclear. This uncertainty will most likely impact business decision-making and may result in lower output or employment, as companies will not know what price they can charge in America, or American firms cannot predict the cost of goods or imported raw materials.

Unemployment in both the US and UK also saw a slight increase – normally a lagging indicator of underlying economic problems.

We believe that the returns of different assets or classes or geographical areas won't always move in unison over the medium to long term, and that risk can be spread for our members through a well-constructed, diversified portfolio. Our approach is to spread our members' investments over a wide range of companies and sectors globally, rather than placing concentrated bets on which area might do best.

How we manage our members' money

People's Pension has a long-term strategic approach to investments. We look after over £34bn* in members' pension savings so we understand how important it is to manage risk for our members, as well as seeking reward.

We aim to balance the risk and reward profile of our core funds alongside ensuring member investment costs remain competitive.

Where we believe there are good reasons for long-term investment in certain types of company, or to avoid or reduce investments in particular companies of a certain type we will do this. For example, part of our default fund invests so that investments in companies that produce lots of greenhouse gasses are reduced. This technique is known as 'smart beta'.

We use a technique called currency hedging to reduce the risk of our developed world equity funds. We do this because we don't believe the risks of major currencies changing value against each other provide a good enough reward for our members.

We believe our environmental, social and governance (ESG) approach to investments will lead to better long-term returns. It's a buy, sell and talk approach:

- Buy into companies that reflect ESG factors that we believe will lead to improved, long-term returns
- Sell from companies whose operations we disagree with and that don't have an impact on our returns
- Talk, engage and use our voting power on companies that we invest in whose behaviour we'd like to change

If you'd like to know more about our investment process, ESG policies, our climate change policy or view our fund factsheets, they can be all found here peoplespension.co.uk/investment-downloads

Balanced investment profile – Growth phase*

Global Investments (up to 85% shares) Fund

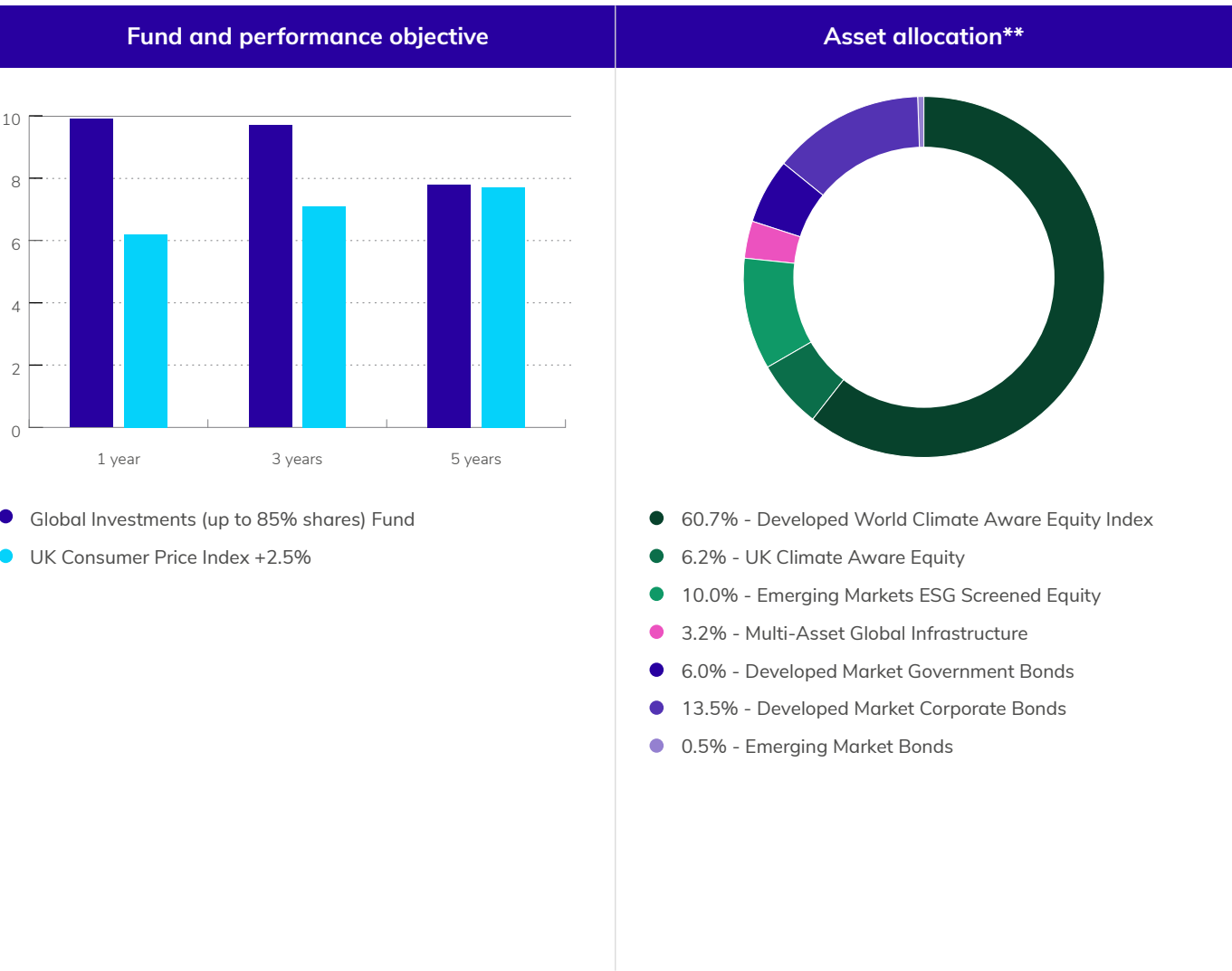
Purpose

The fund is a balanced medium to high-risk capital growth fund.

Return objective

UK Consumer Price Index +2.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	9.9	9.7	7.8
Annualised performance objective	6.2	7.1	7.7
Annualised fund volatility	8.1	10.0	9.9



As of 30/06/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* This is People's Pension's default profile.
** Rounded up to 1 decimal place.

All investment profiles

– Consolidation phase

Pre-Retirement Fund

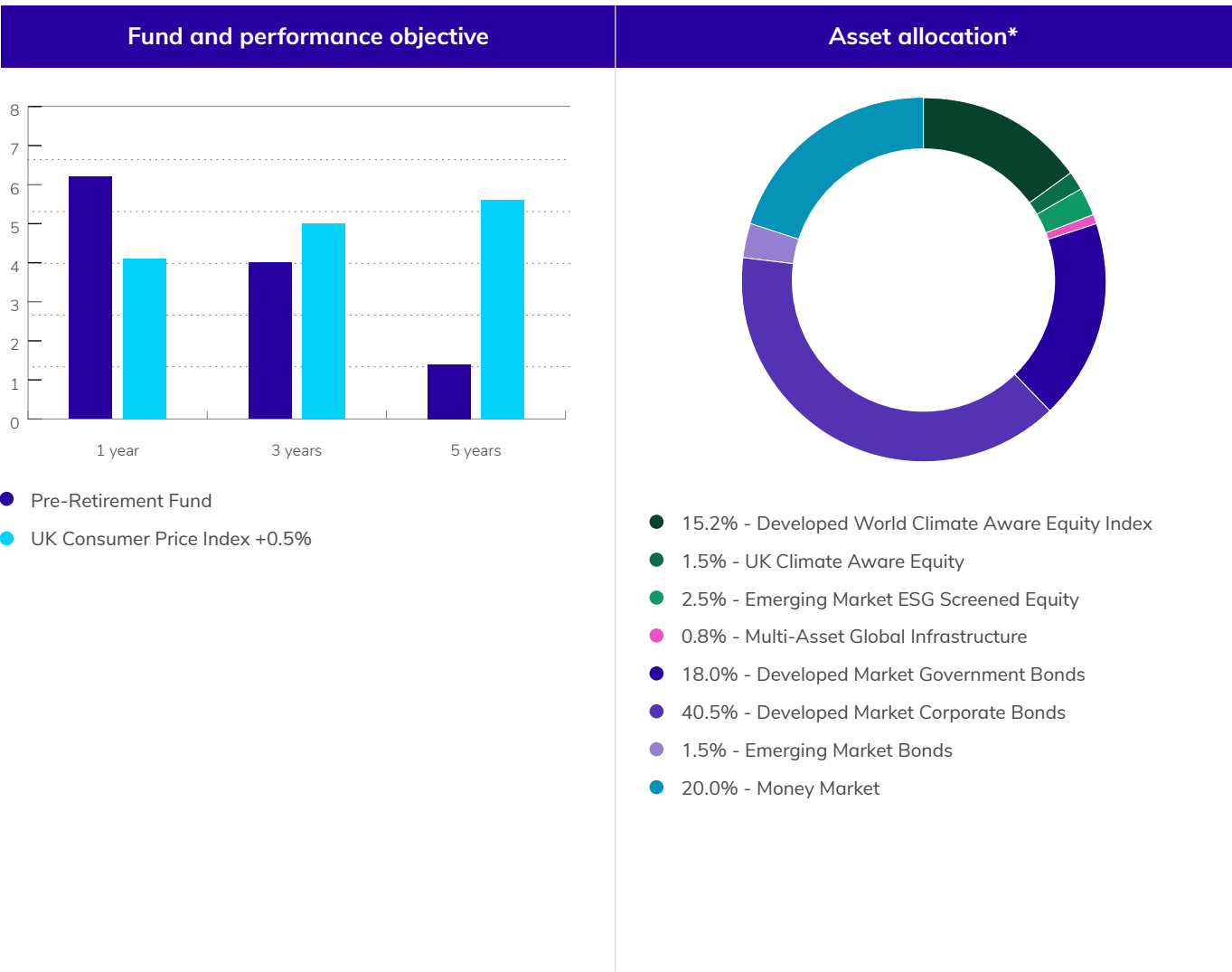
Purpose

The fund is a low to medium-risk fund that balances capital preservation and capital growth.

Return objective

UK Consumer Price Index +0.5% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	6.2	4.0	1.4
Annualised performance objective	4.1	5.0	5.6
Annualised fund volatility	3.4	5.9	5.4



As of 30/06/2025.. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* Rounded up to 1 decimal place.

Adventurous profile

– Growth phase

Global Investments (up to 100% shares) Fund

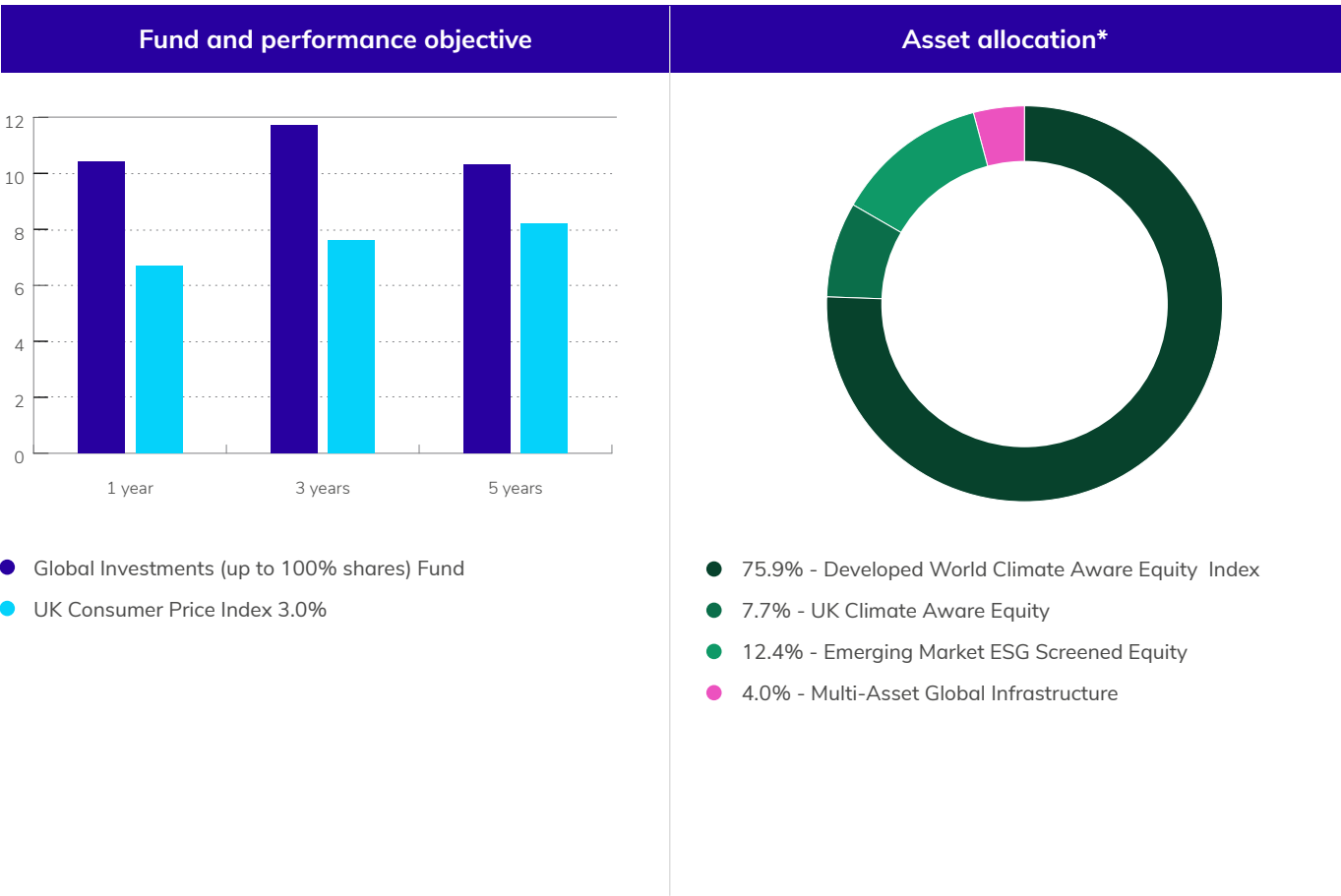
Purpose

The fund is a higher-risk fund compared to the Global Investments (up to 85% shares) Fund. It aims for capital growth and invests up to 100% in global equities.

Return objective

UK Consumer Price Index 3.0% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	10.4	11.7	10.3
Annualised performance objective	6.7	7.6	8.2
Annualised fund volatility	10.3	11.5	11.7



As of 30/06/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* Rounded up to 1 decimal place.

Cautious profile

– Growth phase

Global Investments (up to 60% shares) Fund

Purpose

The fund is a lower-risk fund - compared to the Global Investments (up to 85% shares) Fund. It targets a combination of capital and income.

Return objective

UK Consumer Price Index 2.0% per annum on a net of fees basis.

	1 year	3 years	5 years
Annualised fund performance	8.7	7.6	5.4
Annualised performance objective	5.7	6.6	7.2
Annualised fund volatility	6.4	8.9	8.6



As of 30/06/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge.
* Rounded up to 1 decimal place.

Annuity, Cash, Ethical and Shariah Funds

Fund	Objective	Asset allocation	1 year performance	3 years annualised performance	5 years annualised performance	1 year volatility	3 year volatility	5 year volatility
Annuity Fund Performance objective (IA Sterling Long Bond)	The Annuity Fund is suitable for those approaching retirement and looking to buy an annuity (a regular income, usually for life). It aims to protect against the effect of falls in the level of annuity rates.	70% Global Corporate Fixed Interest 30% UK Gilts	-2.2 (-2.4)	-5.0 (-6.4)	-9.0 (-10.1)	8.0	15.6	14.4
Cash Fund Performance objective (SONIA)	The Cash Fund aims to maintain the value of investments by investing in short term money market instruments and fixed deposits.	100% Money Market	4.4 (4.8)	4.0 (4.4)	2.3 (2.7)	0.1	0.3	0.7
Ethical Fund Performance objective (CPI+3.0%)	The Ethical Fund aims to invest across the global stock market while taking into account how a company performs across a variety of environmental, social and governance (ESG) issues.	100% Developed Global ESG Screened Equities	4.4 (6.7)	12.4 (7.6)	11.1 (8.2)	11.1	11.0	11.4
Shariah Fund Performance objective (CPI+3.0%)	The fund tracks the Dow Jones Islamic Market Titans Index, which comprises Shariah-compliant companies endorsed by the HSBC Amanah Shariah Supervisory Committee. This fund invests in company shares from around the world and is compliant with Islamic Shariah principles.	100% Global Shariah Compliant Equities	1.7 (6.7)	15.5 (7.6)	13.0 (7.8)	14.9	14.0	14.1

As of 30/06/2025. Source People's Partnership and Financial Express. Performance Net of Annual Management Charge. The funds do not have a volatility benchmark.

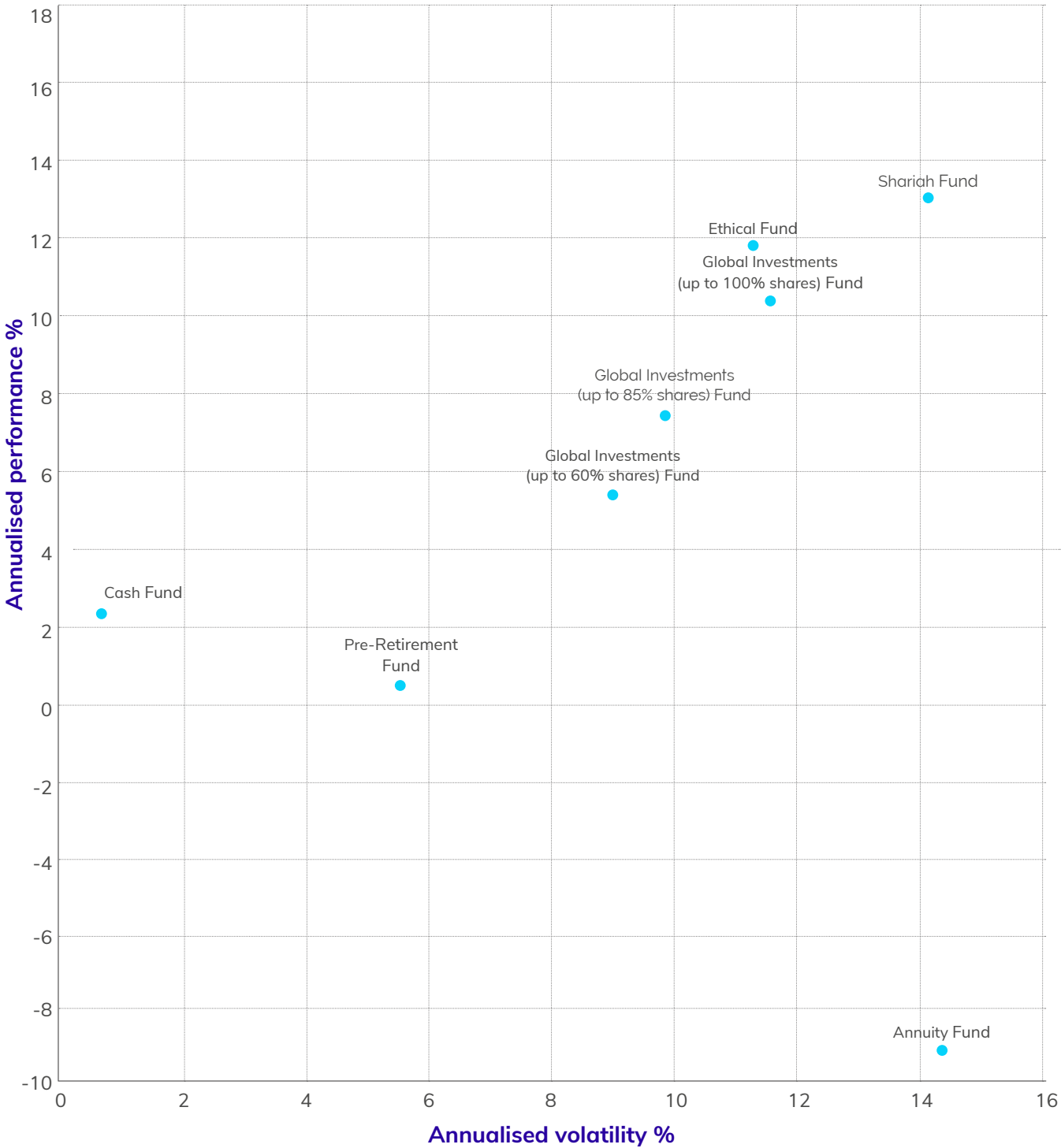
Value for Money Performance

Balanced Profile

	Gross of charges			Net of charges		
Fund	1 year performance	3 years annualised performance	5 years annualised performance	1 year performance	3 years annualised performance	5 years annualised performance
Member 15 Years to Retirement	10.3%	10.3%	8.4%	9.8%	9.7%	7.8%
Member 10 Years to Retirement	9.0%	8.5%	7.0%	8.5%	8.0%	6.4%
Member 5 Years to Retirement	7.9%	6.7%	5.0%	7.4%	6.2%	4.4%

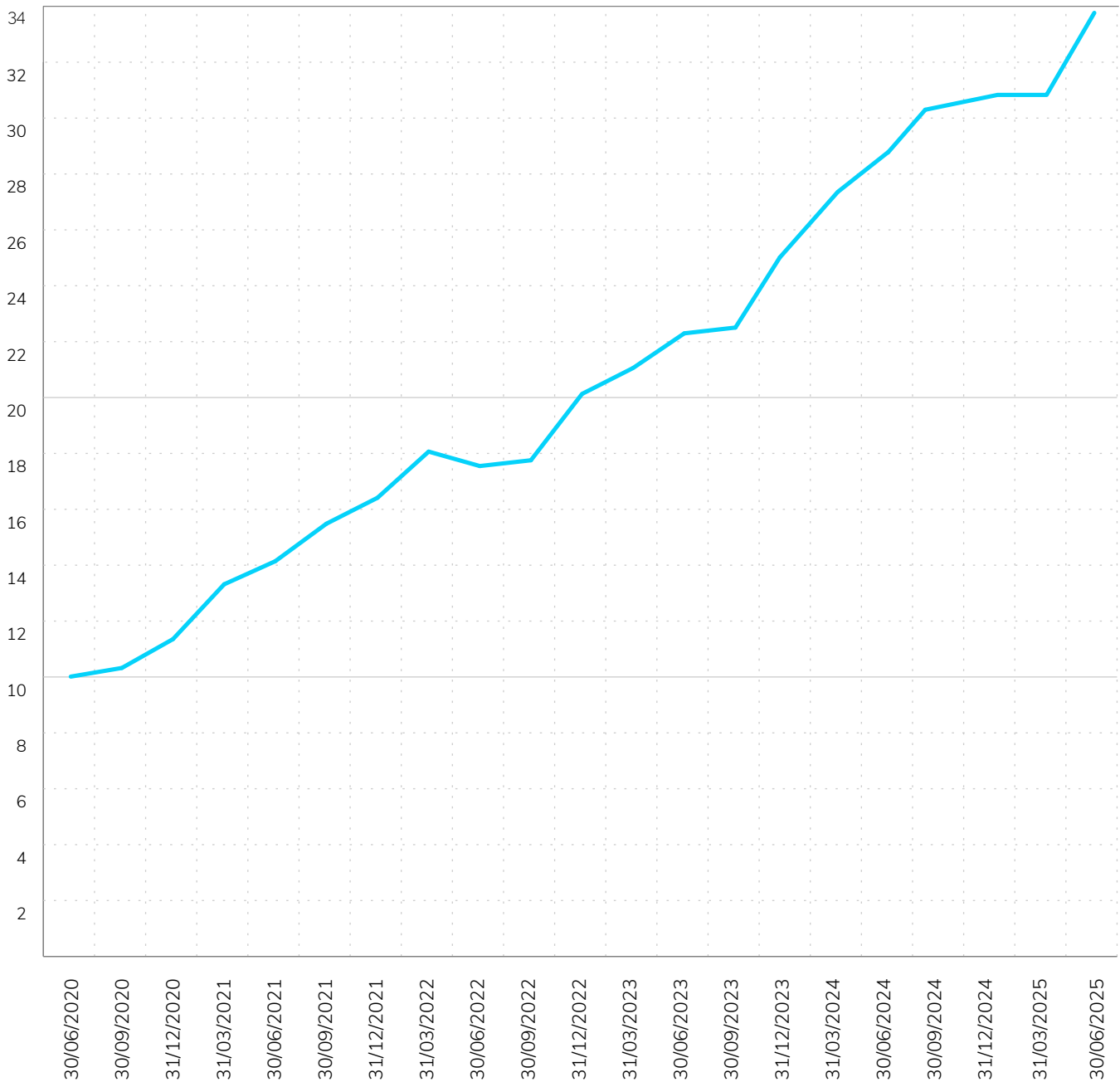
As of 30/06/2025. Source People's Partnership and Financial Express.
Member's time to retirement is at the date of performance calculation.
People's Pension's Balanced Investment Profile is composed of the Global Investments (up to 85% shares) Fund and Pre-Retirement Fund.
Net of charges performance is net management charge of 0.5%.

Five year annualised performance vs volatility



As of 30/06/2025. Source People's Partnership and Financial Express. Performance Net of management charge.

People's Pension Assets Under Management (£ bn)



Fund sizes as at 30 June 2025	(£ bn) *
People's Pension Total	£34.0
Global Investments (up to 85% shares) Fund	£26.6
Pre-Retirement Fund	£5.4
Global Investments (up to 100% shares) Fund	£1.5
Shariah Fund	£0.2
Ethical Fund	£0.1
Cash Fund	£0.1
Global Investments (up to 60% shares) Fund	£0.1
Annuity Fund	£0.0

As of 30/06/2025. Source People's Partnership.
 *Values rounded to 1 decimal place.

For more information:

T: 01293 586666

E: info@peoplespartnership.co.uk

peoplespartnership.co.uk

People's Administration Services Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555. www.peoplespartnership.co.uk

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